

Message Text

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FOR HIRSHBERG FROM EXIMBANK/BOSTWICK

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SUBJ: EXIMBANK FINANCING FOR NUCLEAR POWER INSTALLATIONS

REF: PARIS 14485

EXIMBANK'S TERMS FOR THE FINANCING OF NUCLEAR POWER INSTALLATIONS WERE ESTABLISHED WITH THE CONCURRENCE OF THE NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL POLICIES (NAC) ON AUGUST 15, 1969. THE NAC IS CHAIRED BY THE SECRETARY OF THE TREASURY AND CONSISTS OF THE SECRETARIES OF STATE AND COMMERCE, THE CHAIRMAN OF THE FEDERAL RESERVE AND EXIMBANK. THE POLICY WAS ADOPTED "TAKING INTO CONSIDERATION THE HISTORICAL BACKGROUND AND THE COMPETITIVE AND ECONOMIC FACTORS..."

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THESE TERMS PROVIDE FOR A 10 PERCENT CASH PAYMENT ON OR BEFORE DELIVERY BY THE BORROWER FROM NON-U.S. FUNDS AND (A) FOR CAPITAL EQUIPMENT AND RELATED SERVICES A REPAYMENT TERM OF 15 YEARS COMMENCING APPROXIMATELY SIX MONTHS AFTER COMPLETION OF CONSTRUCTION, AND (B) FOR NUCLEAR FUEL INVENTORIES A REPAYMENT TERM OF FIVE YEARS COMMENCING APPROXIMATELY SIX MONTHS AFTER DELIVERY.

NO DISTINCTION IS MADE BETWEEN TERMS OFFERED FOR SALES TO DEVELOPED COUNTRIES AND THOSE OFFERED TO DEVELOPING COUNTRIES, PRIMARILY BECAUSE THE ECONOMIC FACTORS OF A PUBLIC UTILITY WITH REGULATED RATES AMORTIZING ITS CAPITAL INVESTMENTS ARE NOT DIFFERENT AND THE USEFUL LIFE CYCLE OF THE FUEL ALSO DOES NOT DIFFER BETWEEN COUNTRIES.

ALSO IN 1969, THERE DEVELOPED INCREASING COMPETITION FOR REXPORT SALES AMONG COUNTRIES PRODUCING NUCLEAR POWER EQUIPMENT.

GERMANY, FOR EXAMPLE, IN WINNING THE ARGENTINE REACTOR COMPETITION, PROVIDED QUITE LIBERAL FINANCING FOR THE ENTIRE DOLS 75 MILLION PLANT PORTION OF THE PROJECT. SIEMENS, GERMAN BANKS, AND THE KREDITANSTALT FUR WEIDERAUFBAU (KFW) PROVIDED DOLS 50 MILLION AT 6 PERCENT WITH REPAYMENTS IN 30 SEMIANNUAL INSTALLMENTS BEGINNING AFTER START-UP. KFW PROVIDES DOLS 25 MILLION IN THE FORM OF A "CAPITAL ASSISTANCE LOAN" AT 4.5 PERCENT PAYMENTS TO BE MADE FROM 1982 TO 1992 (IN EFFECT 24 YEARS REPAYMENT WITH A 14-YEAR GRACE PERIOD).

CANADA ADMITTED TO OFFERING 15 YEAR REPAYMENT TERMS FOR THE INITIAL FUEL INVENTORIES.

THUS, EXIMBANK ON DECEMBER 23 TELEXED THE GOVERNMENT-SUPPORTED EXPORT CREDIT AGENCIES OF FRANCE, CANADA, U.K., SWEDEN, GERMANY, AND JAPAN TO DETERMINE WHETHER AGREEMENT COULD BE REACHED ON MAXIMUM CREDIT TERMS AND PROPOSED AS THE MAXIMUM THOSE TERMS EXIMBANK WAS PREPARED TO SUPPORT.

WHILE NO AGREEMENT HAS BEEN REACHED IN THE INTERVENING YEARS
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BECAUSE OF THE RELUCTANCE OF SOME BERNE UNION MEMBERS TO HOLD TERMS TO THOSE PROPOSED BY EXIMBANK, IT IS INTERESTING TO NOTE THE FOLLOWING REPLY OF HERMES DATED JANUARY 14, 1970. QUOTE WE TOO APPRECIATE YOUR PROPOSAL TO FIX MAXIMUM CREDIT-TERMS FOR SUCH PROJECTS. THE TERMS MENTIONED BY YOU ARE CONSIDERED BEING AN APPROPRIATE BASIS BUT WE ARE RESERVING US TO TAKE UP A FINAL POSITION. WE SHALL REVERT TO THIS POINT WHEN OCCASION ARISES. AT ANY RATE WE WANT TO

EMPHASIZE ALREADY NOW THAT WE ARE VERY INTERESTED TO UNDERTAKE FURTHER STEPS NOT THROUGH THE OECD, BUT ANALOGOUS IN THE SAME MANNER AS FOR THE UNDERSTANDING ON TERMS FOR EARTH SATELLITE STATIONS. UNQUOTE

MEANWHILE THE COMPETITION HAS PROCEEDED UNABATED, ALTHOUGH RECENT ATTEMPTS HAVE BEEN MADE WITHIN OECD TO RESTRICT TERMS TO THOSE PROPOSED BY EXIMBANK.

EXIMBANK HAS EXTENDED 35 CREDITS FOR NUCLEAR POWER FACILITY EXPORTS. OF THESE, ONLY 3 HAVE BEEN EXTENDED AT REPAYMENT PERIODS OF LESS THAN 15 YEARS. EACH OF THESE EXCEPTIONS HAS RESULTED FROM THE UNUSUAL SET OF CIRCUMSTANCES, SUCH AS A TRADE-OFF OF A SHORTER REPAYMENT PERIOD FOR A WAIVER OF A GOVERNMENT GUARANTEE.

THE HISTORY OF EXIMBANK NUCLEAR POWER FINANCING ESTABLISHES QUITE CLEARLY THAT EXIMBANK'S TERMS OF FIFTEEN YEARS REPAYMENT ON CAPITAL FACILITIES AND FIVE YEARS REPAYMENT ON FUEL INVENTORIES ARE THOSE "NORMAL IN INTERNATIONAL TRADE." EMBASSY IS THEREFORE REQUESTED TO MAKE SUCH REPRESENTATIONS AS ARE DEEMED APPROPRIATE TO GAIN ACCEPTANCE OF THIS FACT FROM THE GERMAN MINISTRY OF FINANCE. RUSH UNQUOTE RUSH

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